

EVENT REPORT

Konrad-Adenauer-Stiftung e.V.

EUROPEAN OFFICE BRUSSELS

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EU Budget Post-2020: First Reactions to the Commission's Proposals

16 May 2018 | 12h30 – 14h00 | KAS European Office

May 2018

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The Commission's proposal on the Multiannual Financial Framework (MFF) 2021-2027 has been impatiently awaited for by the Member States and the European Parliament. The new political priorities and the compensation of the shortfall in budget caused by Brexit presented the Commission with an unprecedented challenge. During the opening event of the "Brussels Initiative", an event series jointly initiated by the European Office of the Konrad-Adenauer-Stiftung and the Association of German Chambers of Industry and Commerce (DIHK), the first reactions to the budgetary proposal were discussed with Jan Olbrycht (Member of the Committee on Budgets and MFF Co-Rapporteur, European Parliament), Michael Hager (Head of Cabinet of Günther Oettinger, Commissioner for Budget & Human Resources) and Ralph Müller (Head of the Fiscal Affairs Department, Permanent Representation of Germany to the EU).

Michael Hager introduced the event by explaining the overall idea behind the MFF proposal, put forward by the European Commission on 2nd May. The Commission's aim was to design a fair and balanced proposal which serves as a good basis for further discussion, Hager clarified. At the same time, the MFF needed to consider the "new circumstances" the European Union is facing: Firstly, Brexit, which fundamentally changed the structure of the MFF. The shortfall amounted to €12 billion per year and to €84 billion over a period of seven years. Secondly, areas such as migration, security and defence as well as competitiveness had become even more important compared to the last MFF proposal. As a result, the financial structure of the MFF needed to be revised: According to Hager, the financial gap resulting from Brexit would

be filled by 50 percent with "fresh money" and by 50 percent with cuts in other programmes such as agriculture and cohesion funds, which were consuming large shares of the current budget. Cuts in these programmes would be therefore "inevitable". New political priorities would be financed by an 80-20 formula, translating into 80 percent of the expenditure financed by "fresh money" and the remaining 20 percent by cuts.

Hager praised the European Parliament for its ambitious contributions to the upcoming MFF. At the same time, he appealed to the parliamentarians to enter negotiations quickly and to finalize them in early 2019, before the European elections, the new composition of the Commission and the appointment of a new European Council president would take place.

Jan Olbrycht agreed with Hager on the time frame for the MFF negotiations. He emphasized that an early agreement also prevented people from using the MFF as an instrument during the election campaign. With the appropriate political will, the agenda was feasible. He praised the Commission for the clear proof of readiness to change and predicted that there would not only be a different budget but a different European Union. He raised, however, the question of the cost of the change and of where the money did come from. The European Parliament did not support the Commission's view on cuts and higher contributions, Olbrycht strengthened.

Ralph Müller, in turn, was in favour of the cuts proposed by the Commission. The Member States' contributions could only be increased to a certain extent so that other sources of finance needed to be considered. He also praised the approach to include two instruments for a stable Economic and Monetary Union in the budget.